

# News

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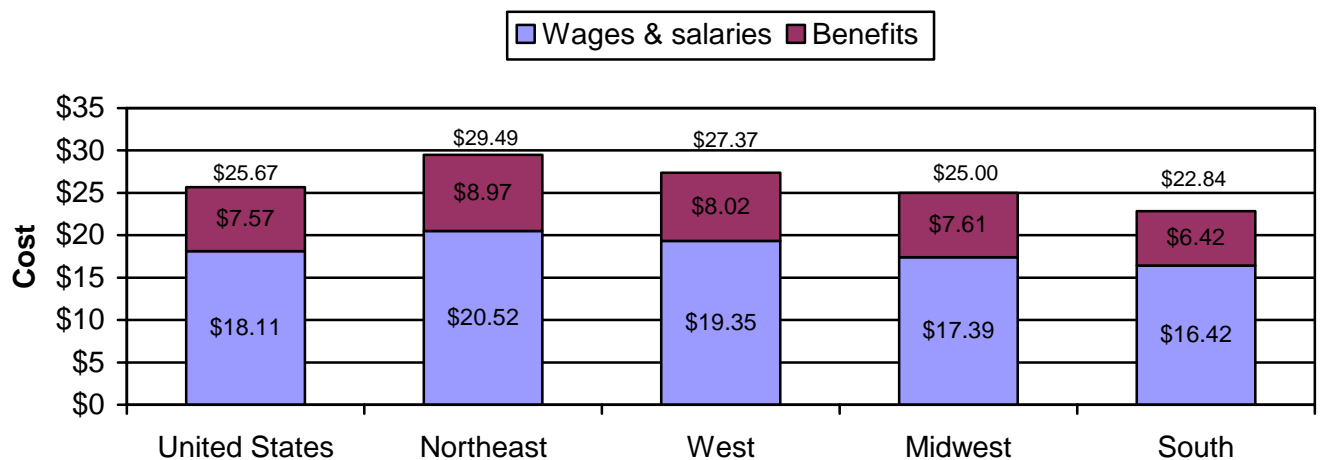
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## EMPLOYER COSTS FOR EMPLOYEE COMPENSATION FOR THE REGIONS – DECEMBER 2006

Employer costs for employee compensation in private industry among the four geographic regions of the country ranged from \$22.84 per hour in the South to \$29.49 in the Northeast in December 2006, according to the U.S. Department of Labor's Bureau of Labor Statistics. Regional Commissioner Sheila Watkins noted that employer costs for employee compensation in the other two regions were \$25.00 in the Midwest and \$27.37 in the West. (See chart 1.) In addition to regional estimates, employer costs for nine geographic divisions are also available. Within divisions, total compensation costs ranged from \$19.47 in the East South Central division to \$29.61 in the New England division. Employer Costs for Employee Compensation are based on the National Compensation Survey, which measures employer costs for wages, salaries, and employee benefits. (See table 1. Geographic definitions of the regions and divisions are contained in the Explanatory Note.)

**Chart 1. Employer cost per hour worked for employee compensation in private industry by region, December 2006**



In the Northeast, wages and salaries, at \$20.52, made up 69.6 percent of total compensation costs. Benefits costs, at \$8.97, accounted for the remaining 30.4 percent. Legally required benefits, which includes Social Security, workers' compensation, and unemployment insurance, averaged \$2.45 per hour worked in the Northeast and represented 8.3 percent of total compensation costs. Paid leave including vacation, holiday, sick, and other leave, averaged \$2.25 per hour worked and accounted for 7.6 percent of total compensation costs, while insurance costs, which includes life, health, short- and long-term disability, was \$2.16 per hour worked and represented 7.3 percent of all compensation costs.

Wages and salaries averaged \$19.35 in the West and accounted for 70.7 percent of all compensation costs. Costs for benefits averaged \$8.02, representing 29.3 percent of total compensation. Legally required benefits averaged \$2.54 per hour worked, accounting for 9.3 percent of total compensation costs in the West. The cost of insurance benefits averaged \$1.93 per hour worked and represented 7.0 percent of total compensation, while paid leave was \$1.85 per hour or 6.8 percent of all costs.

Wages and salaries in the Midwest, which averaged \$17.39, represented 69.6 percent of all compensation costs. Benefits, averaging \$7.61 per hour, accounted for 30.4 percent of total compensation. Legally required benefits cost employers \$2.11 per hour worked or 8.4 percent of total compensation costs. Insurance was \$2.06 per hour worked and represented 8.3 percent of total compensation. The cost of paid leave in the Midwest averaged \$1.68 per hour, accounting for 6.7 percent of total compensation.

In the South, wages and salaries, at \$16.42, made up 71.9 percent of total compensation, and benefits, at \$6.42, accounted for the remaining 28.1 percent. Among the largest benefit categories were legally required benefits averaging \$1.90 per hour worked and representing 8.3 percent of total compensation costs in the South. Insurance costs averaged \$1.66 per hour worked and accounted for 7.3 percent of total compensation, while paid leave averaged \$1.46 per hour and represented 6.4 percent of all costs.

Overall, compensation costs among private industry employers in the United States averaged \$25.67 per hour worked in December 2006. Wages and salaries, at \$18.11, accounted for 70.5 percent of these costs, while benefits, at \$7.57, made up the remaining 29.5 percent. Wages and salaries, as a percentage of total compensation in the private sector, have declined over the past six years from 73 percent of total compensation in 2000.

**NOTE:** Collection of severance pay and supplemental unemployment plans, which comprised "other benefits" and was published in all tables, was discontinued beginning with the March 2006 estimates to reduce the burden on survey respondents. This change had minimal impact on most series because the cost of these benefits averaged only 4 cents per hour worked in 2005.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, December 2006

Compensation component	Census region and division(1)									
	Northeast		Northeast divisions				South		South divisions	
	Cost	Percent	New England		Middle Atlantic		Cost	Percent	South Atlantic	
			Cost	Percent	Cost	Percent			Cost	Percent
Total compensation	\$29.49	100.0	\$29.61	100.0	\$29.44	100.0	\$22.84	100.0	\$24.16	100.0
Wages and salaries	20.52	69.6	20.98	70.9	20.34	69.1	16.42	71.9	17.41	72.1
Total benefits	8.97	30.4	8.63	29.1	9.11	30.9	6.42	28.1	6.74	27.9
Paid leave	2.25	7.6	2.19	7.4	2.28	7.7	1.46	6.4	1.57	6.5
Vacation	1.11	3.8	1.10	3.7	1.11	3.8	0.74	3.2	0.80	3.3
Holiday	0.73	2.5	0.75	2.5	0.73	2.5	0.48	2.1	0.51	2.1
Sick	0.30	1.0	0.25	0.8	0.32	1.1	0.18	0.8	0.20	0.8
Other	0.11	0.4	0.09	0.3	0.12	0.4	0.06	0.3	0.06	0.3
Supplemental pay	0.97	3.3	0.90	3.0	1.00	3.4	0.61	2.7	0.59	2.4
Overtime and premium(2)	0.28	1.0	0.27	0.9	0.29	1.0	0.24	1.0	0.24	1.0
Shift differentials	0.07	0.2	0.06	0.2	0.07	0.3	0.06	0.3	0.06	0.3
Nonproduction bonuses	0.62	2.1	0.58	2.0	0.64	2.2	0.31	1.3	0.29	1.2
Insurance	2.16	7.3	2.01	6.8	2.22	7.5	1.66	7.3	1.71	7.1
Life	0.04	0.1	0.04	0.1	0.04	0.2	0.04	0.2	0.04	0.2
Health	2.00	6.8	1.88	6.4	2.05	7.0	1.54	6.7	1.59	6.6
Short-term disability	0.07	0.2	0.05	0.2	0.08	0.3	0.04	0.2	0.05	0.2
Long-term disability	0.04	0.1	0.04	0.1	0.04	0.1	0.04	0.2	0.04	0.2
Retirement and savings	1.13	3.8	1.06	3.6	1.17	4.0	0.79	3.4	0.88	3.6
Defined benefit	0.55	1.9	0.47	1.6	0.58	2.0	0.36	1.6	0.40	1.7
Defined contribution	0.59	2.0	0.59	2.0	0.59	2.0	0.43	1.9	0.48	2.0
Legally required benefits	2.45	8.3	2.47	8.3	2.45	8.3	1.90	8.3	1.99	8.2
Social Security and Medicare	1.72	5.8	1.76	5.9	1.71	5.8	1.37	6.0	1.43	5.9
Social Security(3)	1.38	4.7	1.41	4.8	1.36	4.6	1.10	4.8	1.15	4.8
Medicare	0.34	1.2	0.35	1.2	0.34	1.2	0.27	1.2	0.28	1.2
Federal unemployment insurance	0.03	0.1	0.03	0.1	0.03	0.1	0.03	0.1	0.03	0.1
State unemployment insurance	0.22	0.8	0.23	0.8	0.22	0.8	0.11	0.5	0.10	0.4
Workers' compensation	0.47	1.6	0.44	1.5	0.49	1.7	0.40	1.7	0.42	1.7

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, December 2006 - Continued

Compensation component	Census region and division(1)									
	South divisions				Midwest		Midwest divisions			
	East South Central		West South Central		Cost	Percent	East North Central		West North Central	
	Cost	Percent	Cost	Percent			Cost	Percent	Cost	Percent
Total compensation	\$19.47	100.0	\$22.51	100.0	\$25.00	100.0	\$26.16	100.0	\$22.41	100.0
Wages and salaries	13.86	71.2	16.20	71.9	17.39	69.6	18.09	69.2	15.81	70.5
Total benefits	5.62	28.8	6.32	28.1	7.61	30.4	8.06	30.8	6.60	29.5
Paid leave	1.17	6.0	1.43	6.4	1.68	6.7	1.78	6.8	1.47	6.6
Vacation	0.63	3.3	0.71	3.1	0.86	3.5	0.90	3.4	0.79	3.5
Holiday	0.38	1.9	0.49	2.2	0.55	2.2	0.59	2.2	0.46	2.1
Sick	0.11	0.5	0.18	0.8	0.18	0.7	0.19	0.7	0.16	0.7
Other	0.05	0.3	0.05	0.2	0.09	0.3	0.10	0.4	0.06	0.3
Supplemental pay	0.49	2.5	0.70	3.1	0.73	2.9	0.78	3.0	0.62	2.8
Overtime and premium(2)	0.21	1.1	0.26	1.1	0.29	1.2	0.31	1.2	0.25	1.1
Shift differentials	0.07	0.4	0.05	0.2	0.09	0.3	0.10	0.4	0.07	0.3
Nonproduction bonuses	0.21	1.1	0.39	1.7	0.35	1.4	0.37	1.4	0.31	1.4
Insurance	1.65	8.5	1.58	7.0	2.06	8.3	2.20	8.4	1.77	7.9
Life	0.04	0.2	0.04	0.2	0.05	0.2	0.05	0.2	0.04	0.2
Health	1.54	7.9	1.46	6.5	1.92	7.7	2.04	7.8	1.64	7.3
Short-term disability	0.04	0.2	0.04	0.2	0.06	0.2	0.07	0.3	0.05	0.2
Long-term disability	0.03	0.2	0.03	0.2	0.04	0.1	0.04	0.1	0.04	0.2
Retirement and savings	0.57	2.9	0.76	3.4	1.03	4.1	1.12	4.3	0.82	3.6
Defined benefit	0.23	1.2	0.36	1.6	0.59	2.4	0.67	2.6	0.41	1.8
Defined contribution	0.34	1.8	0.39	1.7	0.44	1.7	0.45	1.7	0.41	1.8
Legally required benefits	1.73	8.9	1.85	8.2	2.11	8.4	2.19	8.4	1.92	8.6
Social Security and Medicare	1.23	6.3	1.34	6.0	1.47	5.9	1.53	5.8	1.35	6.0
Social Security(3)	0.99	5.1	1.07	4.8	1.18	4.7	1.23	4.7	1.09	4.8
Medicare	0.24	1.2	0.27	1.2	0.29	1.2	0.30	1.1	0.26	1.2
Federal unemployment insurance	0.03	0.2	0.03	0.1	0.03	0.1	0.03	0.1	0.03	0.1
State unemployment insurance	0.09	0.5	0.12	0.5	0.16	0.7	0.17	0.7	0.14	0.6
Workers' compensation	0.38	2.0	0.36	1.6	0.44	1.8	0.45	1.7	0.41	1.8

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, December 2006 - Continued

Compensation component	Census region and division(1)					
	West		West divisions			
	Cost	Percent	Mountain		Pacific	
			Cost	Percent	Cost	Percent
Total compensation	\$27.37	100.0	\$23.20	100.0	\$29.14	100.0
Wages and salaries	19.35	70.7	16.72	72.1	20.47	70.2
Total benefits	8.02	29.3	6.48	27.9	8.67	29.8
Paid leave	1.85	6.8	1.42	6.1	2.03	7.0
Vacation	0.94	3.4	0.74	3.2	1.03	3.5
Holiday	0.61	2.2	0.47	2.0	0.67	2.3
Sick	0.24	0.9	0.17	0.7	0.27	0.9
Other	0.06	0.2	0.04	0.2	0.06	0.2
Supplemental pay	0.80	2.9	0.66	2.8	0.86	3.0
Overtime and premium(2)	0.26	0.9	0.22	0.9	0.27	0.9
Shift differentials	0.06	0.2	0.06	0.2	0.06	0.2
Nonproduction bonuses	0.49	1.8	0.39	1.7	0.53	1.8
Insurance	1.93	7.0	1.65	7.1	2.04	7.0
Life	0.04	0.1	0.03	0.1	0.04	0.1
Health	1.82	6.6	1.56	6.7	1.92	6.6
Short-term disability	0.04	0.1	0.03	0.1	0.04	0.1
Long-term disability	0.04	0.1	0.03	0.1	0.04	0.1
Retirement and savings	0.90	3.3	0.69	3.0	0.98	3.4
Defined benefit	0.43	1.6	0.28	1.2	0.50	1.7
Defined contribution	0.46	1.7	0.42	1.8	0.48	1.7
Legally required benefits	2.54	9.3	2.05	8.8	2.75	9.4
Social Security and Medicare	1.61	5.9	1.40	6.0	1.70	5.8
Social Security(3)	1.29	4.7	1.12	4.8	1.36	4.7
Medicare	0.32	1.2	0.27	1.2	0.34	1.2
Federal unemployment insurance	0.03	0.1	0.03	0.1	0.03	0.1
State unemployment insurance	0.20	0.7	0.13	0.6	0.22	0.8
Workers' compensation	0.70	2.6	0.48	2.1	0.80	2.7

1 The States that comprise the census divisions are: New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont; Middle Atlantic: New Jersey, New York, and Pennsylvania; South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; East South Central: Alabama, Kentucky, Mississippi, and Tennessee; West South Central: Arkansas, Louisiana, Oklahoma, and Texas; East North Central: Illinois, Indiana, Michigan, Ohio, and Wisconsin; West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota; Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming; and Pacific: Alaska, California, Hawaii, Oregon, and Washington.

2 Includes premium pay for work in addition to the regular work schedule (such as overtime, weekends, and holidays).

3 Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

Note: The sum of individual items may not equal totals due to rounding.

## **EXPLANATORY NOTE**

Employer Costs for Employee Compensation (ECEC) measures the average cost per employee hour worked that employers pay for wages and salaries and benefits. Excluded from private industry are the self-employed and farm and private household workers.

Wages and salaries are defined as the hourly straight-time wage rate or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions and include production bonuses, incentive earnings, commission payments, and cost-of-living adjustments. Not included in straight-time earnings are nonproduction bonuses such as lump-sum payments provided in lieu of wage increases, shift differentials, and premium pay for overtime and for work on weekends and holidays; these payments are included in the benefits component.

Benefits include: Paid leave-vacations, holidays, sick leave, and other leave; supplemental pay-overtime and premium pay for work in addition to the regular work schedule (such as weekends and holidays), shift differentials, and nonproduction bonuses (such as referral bonuses and lump-sum payments provided in lieu of wage increases); insurance benefits-life, health, short-term disability, and long-term disability; retirement and savings benefits-defined benefit and defined contribution plans; legally required benefits-Social Security, Medicare, federal and state unemployment insurance, and workers' compensation. The collection of other benefits-severance pay and supplemental unemployment plans-were discontinued with the release of the March 2006 estimates.

The cost levels for this quarter were collected from a probability sample of about 49,000 occupational observations within approximately 11,000 sample establishments in private industry. Data are collected for the pay period including the 12th day of the survey months of March, June, September, and December.

When respondents do not provide all the data needed, a procedure for assigning missing values is used in the ECEC. A new imputation procedure, comparable to that used for the Employment Cost Index (ECI), was implemented with the publication of the March 2006 estimates. For a description of the methodological changes, see "Accounting for missing data in the Employment Cost Index" in the April 2006 issue of the Monthly Labor Review on the Internet site <http://www.bls.gov/opub/mlr/2006/04/contents.htm>.

The ECEC percent of total compensation estimates are calculated from dollar aggregates and then rounded to the published level of precision. This method provides the most precise estimates of the percent of total compensation; however, estimates of the percentage of total compensation calculated from the published cost estimates may differ slightly from those calculated from the unpublished dollar aggregates.

Sample establishments are classified by industry categories based on the 2002 North American Industry Classification System (NAICS), as defined by the U.S. Office of Management and Budget. Within a sample establishment, specific job categories are selected and classified into about 800 occupational classifications according to the 2000 Standard Occupational Classification (SOC) system. Individual occupations are combined to represent one of eight intermediate aggregations such as professional and related occupations, or one of five higher-level aggregations such as management, professional, and related occupations. Employees in occupations included in the survey receive cash payments from the establishment for services performed, while the establishment pays the employer's portion of Medicare taxes on that individual's wages. Major exclusions from the survey are the self-employed, individuals who set their own pay (for example proprietors, owners, major stockholders, and partners in unincorporated firms), volunteers, unpaid workers, family members being paid token wages, individuals receiving long-term disability compensation, and U.S. citizens working overseas. For more detailed information on NAICS and SOC, including background and definitions, see the BLS websites: (<http://www.bls.gov/bls/naics.htm> and <http://www.bls.gov/soc/home.htm>.)

Additional occupational and industrial series were introduced in March 2004 with the introduction of the NAICS and SOC definitions. An article on the transition, "Comparing Current and Former Industry and Occupational ECEC Series" is available on the e-journal, Compensation and Working Conditions Online, posted August 25, 2004, on the website <http://www.bls.gov/opub/cwc/cm20040823ar01p1.htm>.

Current employment weights are used to calculate cost levels. Beginning with data for December 2006, changes to the ECEC estimation process were introduced to make calculations more consistent across National Compensation Survey products. Current employment weights are now derived from two BLS programs: the Quarterly Census of Employment and Wages (QCEW) and the Current Employment Statistics (CES). Combined, these programs provide the appropriate industry coverage and currency of data needed to match the ECEC. The new procedure had a negligible effect on estimates and estimated variances. For more information on the changes in procedure, see "Changes in Calculations for the BLS Employer Costs for Employee Compensation Data, March 2007," on the Internet site <http://www.bls.gov/ncs/ect/sp/ececcalc.pdf>.

Also, beginning with December 2006 estimates, a new variance calculation procedure was introduced. This was done to standardize the variance estimation process for all compensation survey programs. The new procedure is expected to have a negligible effect on estimated variances. For more information on the variance calculation procedure, see "Changes in Variance Calculations for the BLS Employer Costs for Employee Compensation Data, March 2007" on the Internet site <http://www.bls.gov/ncs/ect/sp/ececvmet.pdf>. More information on these changes may also be obtained by calling (202) 691-6199 or by sending an e-mail message to [NCSinfo@bls.gov](mailto:NCSinfo@bls.gov).

In most instances, private industry employment counts used in the ECEC were total employment estimates for 3-digit sub-sector industry groups, such as machinery manufacturing (NAICS 333) or gasoline stations (NAICS 447), as defined by the NAICS system. In a few cases, more detailed private industry employment counts were used. These include 4-digit educational establishments--elementary and secondary schools (6111), junior colleges (6112), and colleges and universities (6113)--as well as the 6-digit aircraft manufacturing industry (336411). For private establishments, the employment data were apportioned based on the sampling weights assigned to the Employment Cost Index (ECI) sample. For more information on NAICS coding, see "Recent changes in the national Current Employment Statistics survey" in the June 2003 issue of the Monthly Labor Review on the BLS website <http://www.bls.gov/opub/mlr/2003/06/contents.htm>.

The ECI, which measures the change in employer costs for employee compensation, is calculated with fixed 2002 employment counts to prevent employment shifts among occupations and industries from influencing the changes. Therefore, year-to-year changes in Employer Costs for Employee Compensation will differ from those in the ECI.

Historical ECEC data, using the industry categories based on the 1987 Standard Industrial Classification System and classifying jobs into occupational classifications according to the Census of Population, are available from several sources. Data and related articles are included in the bulletin, Employer Costs for Employee Compensation, 1986-99 (Bulletin 2508). An annual historical listing from March 1986 through March 2002 is also available on the Internet site (<http://www.bls.gov/ncs/ect/home.htm>) or upon request. Data on a quarterly basis from June 2002 through December 2003 are also available.

Beginning with the March 2004 quarter, historical data are available based on the 2002 North American Industry Classification System and the 2000 Standard Occupational Classification. The new historical tables are available on the Internet site (<http://www.bls.gov/ncs/ect/home.htm>) or upon request. Information on how costs are calculated appears in "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. An article on changes in employer compensation costs, "Tracking Changes in Benefit Costs," appears in Compensation and Working Conditions, Spring 1999.

### Relative Standard Errors

Because the ECEC is a sample survey, it is subject to sampling errors. Sampling errors are differences that occur between the results computed from a sample of observations and those computed from all observations in the population. The estimates derived from different samples selected using the same sample design may differ from one another. A measure of the variation among these differing estimates is the standard error. It can be used to measure the precision with which an estimate from a particular sample approximates the expected result of all possible samples. The chances are about 68 out of 100 that an estimate from the survey differs from a complete population figure by less than the standard error. The chances are about 90 out of 100 that this difference would be less than 1.6 times the standard error. All the statements of comparisons appearing in this publication are significant at a 1.6 standard error level or better, unless otherwise indicated. This means that for differences cited, the estimated difference is greater than 1.6 times the standard error of the difference.

The relative standard error (RSE) for all estimates will be available shortly after the release is issued. This information can be obtained directly from the BLS Internet site (<http://www.bls.gov/ncs/ect/home.htm>), by e-mail request ([ncsinfo@bls.gov](mailto:ncsinfo@bls.gov)), or by telephone (202) 691-6199.

For a more detailed explanation of relative standard errors, see "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. For a detailed explanation of how to use standard error data to analyze differences in year-to-year changes, see "Analyzing Year-to-Year Changes in Employer Costs for Employee Compensation," Compensation and Working Conditions, Spring 1998. This article supplements an article from the Summer 1997 issue of Compensation and Working Conditions, "Explaining the Differential Growth Rates of the ECI and ECEC," which examined how differences in the construction of these measures contribute to differing trends.

Standard errors relate to differences that occur from sampling errors, but not from nonsampling errors. Nonsampling errors are not measured and include survey nonresponse and data collection and processing errors. Survey nonresponse occurs when sample members are unwilling or unable to participate in the survey. Data collection errors include inaccurate data by respondents and definitional difficulties. Processing errors include errors in recording, coding, and entering data. Although nonsampling errors are not measured, BLS quality assurance programs contain procedures for reducing such errors. These procedures include data collection reinterviews, observed interviews, computer data edits, and systematic review of reports on which data are recorded. Extensive field economist training also is conducted to maintain high data collection standards.

### **Regional definitions**

#### *Northeast region*

- New England division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Middle Atlantic division: New Jersey, New York, Pennsylvania

#### *Midwest region*

- East North Central division: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

#### *South region*

- South Atlantic division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East South Central division: Alabama, Kentucky, Mississippi, Tennessee
- West South Central division: Arkansas, Louisiana, Oklahoma, Texas

#### *West region*

- Mountain division: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
- Pacific division: Alaska, California, Hawaii, Oregon, Washington

### **Obtaining information**

We encourage users interested in learning more about changes to the Employer Costs for Employee Compensation to contact the Bureau of Labor Statistics. Information on the ECEC and other surveys are available on our Web site at <http://www.bls.gov>. Current and historical BLS data are also posted on our Web site at <http://www.bls.gov/ect>. If you have additional questions, you can contact an Information Specialist in the Mid-Atlantic BLS information office at (215) 597-3282. Information from the Employer Costs for Employee Compensation program is available to sensory impaired individuals upon request. Voice phone: (202) 691-5200, Federal Relay Services: 1-800-877-8339.